

bauhaus

interim report 2015

BAUHAUS INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code:483)

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Key Financial Ratios		Notes	Period 4-9/2015	Period 4-9/2014	Change +/-
Performance					
Gross Margin	(%)	1	60.5	62.5	-2.0% pts.
Net Profit Margin	(%)	2	-4.5	3.3	-7.8% pts.
Return on Average Equity (Annualised)	(%)	3	-7.3	6.1	-13.4% pts.
Return on Average Assets (Annualised)	(%)	4	-5.7	4.8	-10.5% pts.
Operating					
Inventory Turnover Days (Annualised)		5	260	243	+17 days
Debtors' Turnover Days (Annualised)		6	14	11	+3 days
Creditors' Turnover Days (Annualised)		7	30	34	-4 days
Liquidity and Gearing					
Current Ratio		8	2.6	3.0	-13.3%
Quick Ratio		9	0.9	1.2	-25.0%
Gearing Ratio	(%)	10	4.9	2.3	+2.6% pts.
Per Share Data					
Book Value Per Share	(HK cents)	11	188.8	181.6	+4.0%
Basic Earnings Per Share	(HK cents)	12	-7.2	5.7	-226.3%
Diluted Earnings Per Share	(HK cents)	13	-7.2	5.7	-226.3%
Interim Dividend Per Share	(HK cents)		-	1.5	-100.0%

Notes:

- 1 "Gross Margin" is based on gross profit divided by turnover for the period.
- 2 "Net Profit Margin" is calculated as the profit/(loss) for the period attributable to equity holders of the parent divided by turnover for the period.
- 3 "Return on Average Equity" represents the annualised profit/(loss) for the period attributable to equity holders of the parent divided by average of opening and closing balance of shareholders' equity.
- 4 "Return on Average Assets" represents the annualised profit/(loss) for the period attributable to equity holders of the parent divided by average of opening and closing balance of total assets.
- 5 "Inventory Turnover Days" is based on average of opening and closing balance of inventories divided by cost of sales and then multiplied by number of days during the period.
- 6 "Debtors' Turnover Days" is based on average of opening and closing balance of trade receivables divided by turnover and then multiplied by number of days during the period.
- 7 "Creditors' Turnover Days" is based on average of opening and closing balance of trade payables divided by purchases and then multiplied by number of days during the period.
- 8 "Current Ratio" represents current assets divided by current liabilities.
- 9 "Quick Ratio" represents current assets less inventories then divided by current liabilities.
- 10 "Gearing Ratio" represents total interest-bearing bank borrowings divided by total assets.
- 11 "Book Value Per Share" represents shareholders' equity divided by the total number of issued shares at the end of reporting period of 367,380,000 (2014: 364,960,000).
- 12 "Basic Earnings Per Share" is calculated as the profit/(loss) for the period attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period under review of 367,367,930 (2014: 364,836,715).
- 13 "Diluted Earnings Per Share" is calculated as the profit/(loss) for the period attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period under review and all dilutive potential ordinary shares of 367,864,635 (2014: 366,014,723) in aggregate.

Name of the Company

Bauhaus International (Holdings) Limited
包浩斯國際(控股)有限公司

Directors of the Company (the "Directors")

Executive directors:

Mr. Wong Yui Lam
(*Chairman and Chief Executive Officer*)
Madam Lee Yuk Ming
Mr. Yeung Yat Hang

Independent non-executive directors:

Mr. Chu To Ki
Mr. Mak Wing Kit
Dr. Wong Yun Kuen

Authorised Representatives

Mr. Wong Yui Lam
Madam Lee Yuk Ming

Company Secretary

Mr. Li Kin Cheong

Qualified Accountant

Mr. Li Kin Cheong

Audit Committee

Mr. Mak Wing Kit (*Chairman*)
Mr. Chu To Ki
Dr. Wong Yun Kuen

Remuneration Committee

Mr. Mak Wing Kit (*Chairman*)
Mr. Chu To Ki
Dr. Wong Yun Kuen

Nomination Committee

Dr. Wong Yun Kuen (*Chairman*)
Mr. Chu To Ki
Mr. Mak Wing Kit

Principal Auditors

Ernst & Young, *Certified Public Accountants*
22nd Floor
CITIC Tower,
1 Tim Mei Avenue, Central
Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
382-384 Prince Edward Road
Kowloon City
Kowloon
Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road, Central
Hong Kong

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Room 501, Sino Industrial Plaza
9 Kai Cheung Road
Kowloon Bay, Kowloon
Hong Kong

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Investor Relation

Strategic Financial Relations Limited
Unit A, 29/F, Admiralty Centre I,
18 Harcourt Road, Hong Kong

Listing information

Listing exchange	:	Main Board of The Stock Exchange of Hong Kong Limited (the “ Stock Exchange ”)
Listing date	:	12 May 2005
Stock code	:	483

Share information

Board lot size	:	2,000 shares
Par value	:	HK\$0.10

		As at 30 September 2015	As at 31 March 2015
		No. of shares	No. of shares
Shares			
Authorised shares	:	2,000,000,000	2,000,000,000
Issued shares	:	367,380,000	367,210,000

Key dates

2014/15 annual results announcement	:	24 June 2015
Closure of Register of Members for 2014/15 annual general meeting	:	25 August 2015 to 27 August 2015 <i>(both days inclusive)</i>
2014/15 annual general meeting	:	27 August 2015
Closure of Register of Members for 2014/15 proposed final dividend	:	8 September 2015 to 10 September 2015 <i>(both days inclusive)</i>
Payment of 2014/15 final dividend	:	25 September 2015
2015/16 interim results announcement	:	23 November 2015
Official website	:	www.bauhaus.com.hk
Financial year end	:	31 March
Interim period end	:	30 September

06 Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2015

	Notes	Six months ended 30 September 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
REVENUE	3	585,357	636,250
Cost of sales		(231,429)	(238,385)
GROSS PROFIT		353,928	397,865
Other income and gain	4	1,320	2,974
Selling and distribution expenses		(321,670)	(321,571)
Administrative expenses		(56,317)	(52,089)
Other expenses		(2,280)	(2,283)
Finance costs	5	(264)	(42)
PROFIT/(LOSS) BEFORE TAX	6	(25,283)	24,854
Income tax expense	7	(1,325)	(3,994)
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		(26,608)	20,860
OTHER COMPREHENSIVE INCOME			
To be reclassified to profit or loss in subsequent periods:			
Currency translation differences		699	1,298
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		(25,909)	22,158
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic		HK(7.2) cents	HK5.7 cents
Diluted		HK(7.2) cents	HK5.7 cents

07 Condensed Consolidated Statement of Financial Position

As at 30 September 2015

	Notes	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		207,570	201,610
Intangible assets		843	931
Rental, utility and other non-current deposits		87,625	90,390
Deferred tax assets		32,035	27,788
Total non-current assets		328,073	320,719
CURRENT ASSETS			
Inventories		405,713	251,346
Trade receivables	10	35,282	56,332
Prepayments, deposits and other receivables		38,353	34,888
Tax recoverable		2,000	5,803
Cash and bank balances		127,491	256,818
Total current assets		608,839	605,187
CURRENT LIABILITIES			
Trade payables	11	94,356	35,398
Other payables and accruals		86,390	85,776
Interest-bearing bank borrowings	12	46,297	19,678
Tax payable		10,390	9,295
Total current liabilities		237,433	150,147
NET CURRENT ASSETS		371,406	455,040
TOTAL ASSETS LESS CURRENT LIABILITIES		699,479	775,759
NON-CURRENT LIABILITY			
Deferred tax liabilities		5,718	6,804
NET ASSETS		693,761	768,955
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	13	36,738	36,721
Reserves		657,023	732,234
TOTAL EQUITY		693,761	768,955

08 Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2015

Note	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 April 2014 (audited)	36,481	99,818	744	10,075	25,827	10,116	508,318	691,379
Issue of shares by exercise of share options	15	338	-	(78)	-	-	-	275
Total comprehensive income for the period	-	-	-	-	1,298	-	20,860	22,158
Equity-settled share option arrangements	14	-	-	207	-	-	-	207
Final 2014 dividend declared and paid	-	-	-	-	-	-	(51,094)	(51,094)
At 30 September 2014 (unaudited)	36,496	100,156	744	10,204	27,125	10,116	478,084	662,925
At 1 April 2015 (audited)	36,721	105,185*	744*	9,186*	25,886*	10,116*	581,117*	768,955
Issue of shares by exercise of share options	17	381	-	(87)	-	-	-	311
Total comprehensive income/(loss) for the period	-	-	-	-	699	-	(26,608)	(25,909)
Final 2015 dividend declared and paid	-	-	-	-	-	-	(49,596)	(49,596)
At 30 September 2015 (unaudited)	36,738	105,566*	744*	9,099*	26,585*	10,116*	504,913*	693,761

* These reserve accounts comprise the consolidated reserves of HK\$657,023,000 (31 March 2015: HK\$732,234,000) in the condensed consolidated statement of financial position.

09 Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2015

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Net cash flows used in operating activities	(76,660)	(50,447)
Net cash flows used in investing activities	(31,772)	(23,964)
Net cash flows used in financing activities	(22,666)	(30,819)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(131,098)	(105,230)
Cash and cash equivalents at beginning of period	256,818	260,221
Effect of foreign exchange rate changes, net	1,771	1,202
CASH AND CASH EQUIVALENTS AT END OF PERIOD	127,491	156,193
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	127,491	156,193

1. BASIS OF PRESENTATION AND PREPARATION

These unaudited condensed consolidated interim financial statements (the “**Interim Financial Statements**”) of the Bauhaus International (Holdings) Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2015 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “*Interim Financial Reporting*”, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and the Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The accounting policies and basis of preparation adopted in the preparation of the Interim Financial Statements are the same as those used in the annual financial statements for the year ended 31 March 2015, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“**HKFRS**”) (which also include HKASs and Interpretations) in current period for the first time as disclosed in note 2 below. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

These Interim Financial Statements have not been audited, but have been reviewed by the Company’s audit committee and should be read in conjunction with the 2015 annual report.

2.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

The Group has adopted the following revised standards and amendments for the first time in the preparation of these Interim Financial Statements.

Amendments to HKAS 19 <i>Annual Improvements</i> 2010–2012 Cycle	<i>Defined Benefit Plans: Employee Contributions</i> Amendments to a number of HKFRSs
<i>Annual Improvements</i> 2011–2013 Cycle	Amendments to a number of HKFRSs

The adoption of the above revised standards and amendments has had no significant financial effect on these Interim Financial Statements.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised standards, that have been issued but are not yet effective, in these Interim Financial Statements.

HKFRS 9	<i>Financial Instruments</i> ³
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> ¹
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹
HKFRS 14	<i>Regulatory Deferral Accounts</i> ²
HKFRS 15	<i>Revenue from Contracts with Customers</i> ³
Amendments to HKAS 1	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ¹
Amendments to HKAS 27	<i>Equity Method in Separate Financial Statements</i> ¹
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs ¹

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the impact of these new and revised standards upon initial application. So far, the Group considers that these new and revised standards are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the design and retailing of trendy apparels, bags and fashion accessories.

For management purposes, the Group is organised into business units that offer products to customers located in different geographical areas. In determining the Group's reportable operating segments, revenues, results, assets and liabilities attributable to the segment are based on the location of the customers. The Group has four reportable operating segments as follows:

- (a) Hong Kong and Macau
- (b) Mainland China
- (c) Taiwan
- (d) Elsewhere

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs and unallocated expenses are excluded from this measurement.

Segment assets exclude deferred tax assets, tax recoverable and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, interest-bearing bank borrowings, tax payable and other unallocated corporate liabilities as these liabilities are managed on a group basis.

Segment non-current assets exclude deferred tax assets and other unallocated corporate non-current assets as these assets are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the period under review, no major customer information is presented.

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3. OPERATING SEGMENT INFORMATION (continued)

	Hong Kong and Macau HK\$'000	Mainland China HK\$'000	Taiwan HK\$'000	Elsewhere HK\$'000	Total HK\$'000
For the six months ended 30 September 2015 (Unaudited)					
Segment revenue:					
Sales to external customers	427,145	58,419	96,724	3,069	585,357
Intersegment sales	33,099	–	97,603	–	130,702
	460,244	58,419	194,327	3,069	716,059
<i>Reconciliation:</i>					
Elimination of intersegment sales					(130,702)
Revenue					585,357
Segment results:					
	24,108	81	(20,395)	501	4,295
<i>Reconciliation:</i>					
Interest income					243
Finance costs					(264)
Unallocated expenses					(29,557)
Loss before tax					(25,283)
Other segment information:					
Capital expenditure	22,403	1,834	3,491	42	27,770
Unallocated capital expenditure					4,053
Total capital expenditure					31,823
Depreciation	12,151	2,525	5,259	–	19,935
Unallocated depreciation					2,950
Total depreciation					22,885
As at 30 September 2015 (Unaudited)					
Segment assets:					
<i>Reconciliation:</i>					
Deferred tax assets					32,035
Tax recoverable					2,000
Unallocated assets					206,000
Total assets	396,450	119,672	178,432	2,323	696,877
Segment liabilities:					
<i>Reconciliation:</i>					
Deferred tax liabilities					5,718
Interest-bearing bank borrowings					46,297
Tax payable					10,390
Unallocated liabilities					18,406
Total liabilities	119,674	26,845	15,702	119	162,340
Segment non-current assets:					
<i>Reconciliation:</i>					
Deferred tax assets					32,035
Unallocated non-current assets					139,425
Total non-current assets	124,893	14,847	16,488	385	156,613
					328,073

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3. OPERATING SEGMENT INFORMATION (continued)

	Hong Kong and Macau HK\$'000	Mainland China HK\$'000	Taiwan HK\$'000	Elsewhere HK\$'000	Total HK\$'000
For the six months ended 30 September 2014 (Unaudited)					
Segment revenue:					
Sales to external customers	462,324	61,384	106,432	6,110	636,250
Intersegment sales	4,505	11,345	75,315	305	91,470
	466,829	72,729	181,747	6,415	727,720
<i>Reconciliation:</i>					
Elimination of intersegment sales					(91,470)
Revenue					636,250
Segment results:					
<i>Reconciliation:</i>					
Interest income					193
Finance costs					(42)
Unallocated expenses					(28,147)
Profit before tax	56,289	742	(5,544)	1,363	52,850
Other segment information:					
Capital expenditure	14,715	2,530	6,221	–	23,466
Unallocated capital expenditure					498
Total capital expenditure					23,964
Depreciation	10,433	2,461	4,171	–	17,065
Unallocated depreciation					2,909
Total depreciation					19,974
As at 31 March 2015 (Audited)					
Segment assets:					
<i>Reconciliation:</i>					
Deferred tax assets					27,788
Tax recoverable					5,803
Unallocated assets					236,591
Total assets	341,983	156,171	152,571	4,999	655,724
Segment liabilities:					
<i>Reconciliation:</i>					
Deferred tax liabilities					6,804
Interest-bearing bank borrowings					19,678
Tax payable					9,295
Unallocated liabilities					11,405
Total liabilities	71,511	27,732	9,723	803	109,769
Segment non-current assets:					
<i>Reconciliation:</i>					
Deferred tax assets					27,788
Unallocated non-current assets					141,247
Total non-current assets	117,001	14,573	19,559	551	151,684
Total non-current assets					320,719

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4. OTHER INCOME AND GAIN

	Group	
	Six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	243	193
Foreign exchange differences, net	183	1,534
Others	894	1,247
	1,320	2,974

5. FINANCE COSTS

	Group	
	Six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	264	42

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6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging:

	Group Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	218,897	229,320
Provision for slow-moving inventories, net, included in cost of sales	12,532	9,065
Depreciation	22,885	19,974
Rental expenses under operating leases in respect of land and buildings:		
Minimum lease payments	127,609	125,412
Contingent rents	25,798	31,447
	153,407	156,859
Rental expenses under operating leases in respect of equipment:		
Minimum lease payments	306	307
Contingent rents	41	31
	347	338
Employee benefit expenses (including directors' remuneration):		
Wages, salaries and other benefits	106,723	102,923
Equity-settled share option expense	–	207
Pension scheme contributions	5,365	5,173
	112,088	108,303
Loss on disposal of items of property, plant and equipment, net	854	945
Impairment of items of property, plant and equipment	1,136	1,004
Amortisation of intangible assets	127	161
Write-off of intangible assets	29	11
Write-off of rental deposits	121	–
Write-off of bad debts	12	–

7. INCOME TAX

	Group	
	Six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
– Hong Kong	5,502	6,740
– Mainland China	265	394
– Elsewhere	1,096	1,777
Deferred tax credit	(5,538)	(4,917)
Total tax charge for the period	1,325	3,994

Hong Kong profit tax has been provided at a rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2015. Mainland China corporate income tax has been provided at a rate of 25.0% (2014: 25.0%) on the profits for the period under review of the Group's Mainland China subsidiaries. Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the countries/ jurisdictions in which the Group operates.

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8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share is based on the loss for the period attributable to equity holders of the parent of HK\$26,608,000 (2014: profit of HK\$20,860,000) and the weighted average number of ordinary shares of 367,367,930 (2014: 364,836,715) in issue during the six months ended 30 September 2015.

The calculation of the diluted earnings/(loss) per share is based on the profit/(loss) for the period attributable to equity holders of the parent. The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during the six months period, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings/(loss) per share are based on:

	Group	
	Six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings/(Loss)		
Profit/(loss) attributable to equity holders of the parent, used in the basic earnings/(loss) per share calculation	(26,608)	20,860
Number of Shares		
Shares		
Weighted average number of ordinary shares in issue during the six months period used in the basic earnings/(loss) per share calculation	367,367,930	364,836,715
Effect of dilution – weighted average number of ordinary shares:		
Share options	496,705	1,178,008
	367,864,635	366,014,723

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9. DIVIDEND

A final dividend of HK\$49,596,000 for the year ended 31 March 2015 (2014: HK\$51,094,000) was paid in September 2015.

The Directors did not declare the payment of an interim dividend for the six months ended 30 September 2015 (2014: an interim dividend of HK1.5 cents per ordinary share).

10. TRADE RECEIVABLES

Retail sales (both online and offline) are made on cash terms or by credit card with very short credit terms. Wholesales are made to customers with general credit terms ranging from 30 days to 60 days, except for certain well-established customers with a long business relationship with the Group, where the terms are extended, while no credit terms were granted to sales to franchisees. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed. In view of the aforementioned and the fact the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group	
	As at	As at
	30 September	31 March
	2015	2015
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 90 days	34,854	56,074
91 to 180 days	52	115
181 to 365 days	245	88
Over 365 days	131	55
	35,282	56,332

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11. TRADE PAYABLES

Trade payables are non-interest-bearing and are normally settled on 30-day to 60-day terms. An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	As at	As at
	30 September	31 March
	2015	2015
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 90 days	93,733	33,821
91 to 180 days	517	665
181 to 365 days	96	890
Over 365 days	10	22
	94,356	35,398

12. INTEREST-BEARING BANK BORROWINGS

	Group	
	As at	As at
	30 September	31 March
	2015	2015
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Bank loans repayable on demand	46,297	19,678
Analysed into bank loans repayable:*		
Within one year or on demand	36,933	6,933
In the second year	6,933	6,933
In the third to fifth years, inclusive	2,431	5,812
	46,297	19,678

* The amounts due are based on scheduled repayment dates set out in the notices for repayment schedule issued by the banks and ignore the effect of any repayment on demand clause.

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12. INTEREST-BEARING BANK BORROWINGS (continued)

Notes:

- (a) The Group's banking facilities and loans are secured by:
- (i) the Group's buildings situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of approximately HK\$118,534,000 (31 March 2015: HK\$119,806,000); and
 - (ii) corporate guarantees given by the Company and a subsidiary of the Group of HK\$100,240,000 and HK\$50,000,000, respectively (31 March 2015: HK\$100,240,000 and HK\$50,000,000).
- (b) At the end of the reporting period, the bank loans were bearing interest at variable rates ranging from 2% to 3% (31 March 2015: 2% to 3%) per annum.
- (c) All borrowings are in Hong Kong dollars.

The Company did not have any interest-bearing bank borrowings as at 30 September 2015 and 31 March 2015.

13. SHARE CAPITAL

	Company	
	As at	As at
	30 September	31 March
	2015	2015
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.1 each	200,000	200,000
Issued and fully paid:		
367,380,000 ordinary shares of HK\$0.1 each (31 March 2015: 367,210,000 ordinary shares)	36,738	36,721

During the six months ended 30 September 2015, the movement in share capital was that the subscription rights attaching to 170,000 (2014: 150,000) share options were exercised at the subscription price of HK\$1.83 (2014: HK\$1.83) per share, resulting in the issue of 170,000 (2014: 150,000) shares of HK\$0.1 each for a total cash consideration, before expenses of HK\$311,000 (2014: HK\$275,000), which resulted in additions of issued capital and share premium of HK\$17,000 (2014: HK\$15,000) and HK\$294,000 (2014: HK\$260,000), respectively. An amount of HK\$87,000 (2014: HK\$78,000) was transferred from the share option reserve to the share premium account upon the exercise of the share options.

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14. SHARE OPTION SCHEME

On 22 April 2005, the Company adopted a share option scheme (the “**Old Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The Old Scheme remained in force for 10 years from the date of its adoption and has expired during the six months ended 30 September 2015.

On 27 August 2015, the Company adopted a new share option scheme (the “**New Scheme**”) to provide the Company with the flexibility of granting share options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group. Eligible participants of the New Scheme include the Company’s directors, including independent non-executive directors, other employees of the Group, any advisors, consultants, suppliers and customers of the Group, and such other persons who, in the sole opinion of the board of directors of the Company, will contribute or have contributed to the Group. The New Scheme will remain in force for 10 years from the effective date of 28 August 2015.

Movements in the number of share options outstanding and their weighted average exercise prices are as follows:

	Group and Company			
	For the six months ended 30 September 2015 (Unaudited)		For the year ended 31 March 2015 (Audited)	
	Weighted average exercise price per share HK\$	Number of share options '000	Weighted average exercise price per share HK\$	Number of share options '000
At beginning of period/year	1.830	1,500	1.830	4,140
Exercised during the period/year	1.830	(170)	1.830	(2,400)
Forfeited during the period/year	–	–	1.830	(240)
At end of period/year	1.830	1,330	1.830	1,500

No share option expense was recognised by the Group during the six months ended 30 September 2015 (2014: HK\$207,000).

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15. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the Interim Financial Statements were as follows:

	Group As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Bank guarantees given in lieu of utility and property rental deposits	7,507	5,226

As at 30 September 2015, the banking facilities granted to certain subsidiaries subject to guarantees given to banks by the Company amounting to HK\$100,240,000 (31 March 2015: HK\$100,240,000) were utilised to the extent of HK\$61,447,000 (31 March 2015: HK\$29,885,000).

16. OPERATING LEASE ARRANGEMENTS – AS LESSEE

The Group, as lessee, leases its retail shops and certain of its offices and warehouses under operating lease arrangements with lease terms ranging from one to eight years. At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Within one year	235,057	229,572
In the second to fifth year, inclusive	204,664	231,044
Over five years	10,276	15,642
	449,997	476,258

The operating lease rentals of certain retail shops are based on the higher of a fixed rental and contingent rent based on the sales of the retail shops pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales of these retail shops could not be estimated reliably, the relevant contingent rent has not been included above and only the minimum lease commitment has been included in the above table.

No operating lease arrangements were entered into by the Company as at 30 September 2015 (31 March 2015: Nil).

17. COMMITMENTS

In addition to the operating lease commitments detailed in note 16 above, the Group had capital commitment in respect of enhancements on computer equipment and information systems contracted, but not provided for amounting to HK\$3,128,000 at the end of the reporting period (31 March 2015: Nil).

The Company had no material capital commitments as at 30 September 2015 (31 March 2015: Nil).

18. RELATED PARTY TRANSACTIONS**(a) Transactions with related parties**

	Group Six months ended 30 September 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Computer system maintenance charges paid to related companies	63	41

(b) Compensation of key management personnel of the Group

	Group Six months ended 30 September 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Short-term employee benefits	2,102	2,006
Equity-settled share option expense	–	33
Post-employment benefits	38	35
Total compensation paid to key management personnel	2,140	2,074

19. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the board of directors of the Company on 23 November 2015.

BUSINESS REVIEW

The Group is principally engaged in the design and retailing of trendy apparels, bags and fashion accessories. It operates self-managed retail stores in Hong Kong, Macau, Taiwan and Mainland China and franchise outlets in Mainland China. The Group's turnover is mostly contributed by its major in-house product labels like "SALAD", "TOUGH" and "80/20" as well as some reputable licensed brands including "SUPERDRY".

As at 30 September 2015, the Group had a total of 228 shops in operation (31 March 2015: 222).

	As at 30 September 2015	As at 31 March 2015	Changes
Self-managed outlets			
Hong Kong & Macau	90	83	+7
Taiwan	95	95	–
Mainland China	32	31	+1
	217	209	+8
Franchised outlets			
Mainland China	11	13	–2
TOTAL	228	222	+6

Global economic performance was weaker-than-expected during the six months ended 30 September 2015. The slowdown of growth in Mainland China together with the strengthening United States dollar, which in turn resulted in a strong Hong Kong dollar against most Asian currencies, gradually had an obvious negative impact on inbound tourism and local retail consumption.

Sharp swings of the Mainland stock market and an unexpected one-off depreciation in Renminbi during the second and third quarter of 2015 triggered a significant market correction and increased volatility in major Asian stock markets including Hong Kong, further impairing the fragile growth momentum in retail markets. The Group was inevitably adversely affected, recording a negative same-store-sales growth of about 8% for the six months ended 30 September 2015. The aggregate turnover of the Group also dropped by about 8.0% to about HK\$585.4 million (2014: HK\$636.3 million). Coupled with the decrease in gross profit and increase in operating costs, the Group incurred a net loss of about HK\$26.6 million for the six months ended 30 September 2015 as compared to a net profit of about HK\$20.9 million for the same period last year.

Hong Kong and Macau

The retail operations in Hong Kong and Macau, accounting for about 73.0% (2014: 72.7%) of the Group's turnover, declined by about 7.6% to approximately HK\$427.2 million (2014: HK\$462.3 million) for the six months ended 30 September 2015. The Group also recorded a negative same-store-sales growth rate of about 7% for the period under review. It continued to enrich its shop portfolio to be more attractive, efficient and competitive during the period under review. The total number of stores in the region increased to 90 as at 30 September 2015 (31 March 2015: 83). However, retail performance in many sectors across the region deteriorated, possibly due to less spending from both inbound tourists and local citizens as a result of the growth slowdown in Mainland China, strong local currency and volatile finance markets. In addition, the operating costs in the region still remained high in general, particularly rentals, further cutting profit margin of the retailers. The segment profit before tax of the Group's Hong Kong and Macau operations dropped significantly by about 57.2% to roughly HK\$24.1 million (2014: HK\$56.3 million) for the six months ended 30 September 2015.

Taiwan

The stagnant retail sentiment and weak consumption presented great challenges to the Group's Taiwan operation. During the period under review, the Group recorded a significant negative same-store-sales growth rate of about 18% and the aggregate sales in Taiwan declined by about 9.2% to about HK\$96.7 million (2014: HK\$106.5 million). The segment incurred a loss before tax of about HK\$20.4 million (2014: HK\$5.5 million) for the six months ended 30 September 2015. The Group maintained a comparable scale of its retail networks in the region with a total of 95 counters/stores in operation as at 30 September 2015 (31 March 2015: 95) while proactively embarking on marketing campaigns and providing promotional discounts to boost sales and to eliminate excessive inventories. The Group has closely monitored the effectiveness of its shop merchandise and altered its product mix on a regular basis in rapid response to market conditions.

Mainland China

As at 30 September 2015, the Group operated its self-managed retail shops in Beijing, Shanghai, Guangzhou, Nanjing and Suzhou and maintained a streamlined franchise network focusing on the second-tier cities in Mainland China. In addition to the traditional offline retail network, the Group has proactively developed distribution channels through certain reputable e-commerce platforms. While cautiously expanding, the Group's Mainland China operation was relatively stable. Although the segment also reported a drop in turnover of about 4.9% to about HK\$58.4 million (2014: HK\$61.4 million) and a negative same-store-sales growth of about 2% during the six months ended 30 September 2015 under a volatile operating environment, the segment still contributed positively with a segment profit before tax of about HK\$0.1 million (2014: HK\$0.7 million) in the period under review.

Elsewhere

The Group extended its business coverage through wholesale operations to several countries, with a particular focus on Asia. The turnover from the segment dropped substantially by about 49.2% to about HK\$3.1 million (2014: HK\$6.1 million). The drop was mainly attributable to the strong position of the United States dollar against the Japanese yen depressing demand from Japanese customers for the Group's export products.

FINANCIAL REVIEW

Turnover

The turnover of the Group declined by around 8.0% to approximately HK\$585.4 million (2014: HK\$636.3 million) for the six months ended 30 September 2015. The major components of the Group's turnover by business were as follows:

	Six months ended 30 September 2015 HK\$ million	Six months ended 30 September 2014 HK\$ million	Changes
Retail – Offline	569.6	615.4	–7.4%
Retail – Online	5.9	3.4	+73.5%
Franchise	6.9	11.5	–40.0%
Wholesales and others	3.0	6.0	–50.0%
TOTAL	585.4	636.3	–8.0%

As indicated above, the traditional offline retail business was the largest sales contributor, accounting for approximately 97.3% (2014: 96.7%) of total turnover while experiencing a negative year-on-year growth of about 7.4%. Encouragingly, the Group's online retail business has been gradually established, contributing a remarkable growth in sales by about 73.5% during the period under review and becoming an alternative distribution channel to effectively support the Group's business development.

Operating Segment Information

Detailed information of the Group's turnover and its contribution to profit or loss before tax by segment is shown in note 3 to the Interim Financial Statements.

Gross Profit

As a result of a drop in sales and increase in procurement costs, the Group's gross profit declined by about 11.1% to approximately HK\$353.9 million (2014: HK\$397.9 million) for the six months ended 30 September 2015. The gross margin was also trimmed by about two percentage points to around 60.5% (2014: 62.5%) as compared with the same period last year. During the period under review, the Group had to offer extensive promotional discounts and attractive marketing campaigns to galvanise sales against unfavourable retail sentiment and to reduce excessive inventories.

Operating Expenses

Operating expenses increased slightly by about 1.1% to approximately HK\$380.3 million (2014: HK\$375.9 million) for the six months ended 30 September 2015, equivalent to roughly 65.0% (2014: 59.1%) of the Group's turnover. Rent for land and buildings declined by about 2.2% to approximately HK\$153.4 million (2014: HK\$156.9 million), accounting for about 26.2% (2014: 24.7%) of the Group's turnover and equivalent to about 40.3% (2014: 41.7%) of its operating expenses during the period under review. The drop in overall rental expenses resulted in part from the decline in turnover rent and, as an on-going practice and effective manner to moderate market rental increment, the Group continued to strategically reallocate, consolidate and convert its retail portfolio to attain a more cost-effective structure.

Staff cost was another key operating cost that increased by about 3.5% to approximately HK\$112.1 million (2014: HK\$108.3 million) for the six months ended 30 September 2015. The staff cost-to-sales ratio also rose to about 19.1% (2014: 17.0%) mainly due to a decline in turnover. The inflationary operating environments and shortage of retail staff has led to an overall surge in staff cost. However, through effective use of incentive systems to motivate sales staff and streamlined workflows for better efficiency, the Group has managed to maintain the staff cost-to-sales ratio at a reasonable level.

Depreciation charges increased to approximately HK\$22.9 million (2014: HK\$20.0 million) for the six months ended 30 September 2015. Marketing and advertising expenses were reduced by about 17.2% to approximately HK\$22.2 million (2014: HK\$26.8 million) during the period under review since the Group focused its marketing efforts only on key products and brands to wisely mitigate the drop in sales amidst the sluggish retail sentiment.

Finance Costs

The finance costs were approximately HK\$264,000 (2014: HK\$42,000), which represented the interest expenses paid for bank borrowings.

Net Loss

The Group incurred a net loss of approximately HK\$26.6 million for the six months ended 30 September 2015 (2014: net profit of HK\$20.9 million). Net profit margin also deteriorated to about -4.5% (2014: +3.3%). The unfavourable results were primarily caused by the drop in both sales and gross profit coupled with an increase in operating costs.

SEASONALITY

Based on the Group's track record, its sales and results are greatly affected by seasonality. The first-half of each financial year has historically been less important than the second-half of the financial year. In general, more than 50% of the annual sales and most of its net profit are derived in the second-half of the financial year, particularly during the period from Christmas to Lunar New Year. The Group expects this seasonal trend to continue this financial year despite the difficult operating environment towards the second-half of the financial year.

CAPITAL STRUCTURE

As at 30 September 2015, the Group had net assets of approximately HK\$693.8 million (31 March 2015: HK\$768.9 million), comprising non-current assets of approximately HK\$328.1 million (31 March 2015: HK\$320.7 million), net current assets of approximately HK\$371.4 million (31 March 2015: HK\$455.0 million) and non-current liability of approximately HK\$5.7 million (31 March 2015: HK\$6.8 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2015, the Group had cash and bank balances of approximately HK\$127.5 million (31 March 2015: HK\$256.8 million). At the end of the reporting period, the Group had aggregate banking facilities of approximately HK\$161.1 million (31 March 2015: HK\$164.5 million) comprising interest-bearing bank overdrafts, revolving loans, rental and utility guarantees as well as import facilities, of which approximately HK\$99.7 million had not been utilised. In particular, the Group had bank borrowings of approximately HK\$46.3 million as at 30 September 2015 (31 March 2015: HK\$19.7 million), which were in Hong Kong dollars repayable within three years and bearing interest at variable rates ranging from about 2% to 3% (31 March 2015: from 2% to 3%) per annum.

The Group's gearing ratio at the end of the reporting period, representing a percentage of total interest-bearing bank borrowings to total assets, was about 4.9% (31 March 2015: 2.1%).

CASH FLOWS

For the six months ended 30 September 2015, net cash flows used in operating activities were approximately HK\$76.7 million (2014: HK\$50.4 million), which was mainly attributable to a substantial increase in inventories for the peak winter sales season in the second-half of the financial year. Net cash flows used in investing activities for the period under review of approximately HK\$31.8 million (2014: HK\$24.0 million) mainly represented capital expenditure invested on renovation of retail shops and enhancement of information technology systems. Net cash flows used in financing activities of approximately HK\$22.7 million (2014: HK\$30.8 million) was mainly due to the payment of 2015 final dividends.

SECURITY

As at 30 September 2015, the Group's banking facilities and bank borrowings were secured by its leasehold land and buildings with aggregate carrying value of approximately HK\$118.5 million (31 March 2015: HK\$119.8 million) and corporate guarantees from the Company and a subsidiary of the Group.

CAPITAL COMMITMENT

The Group had capital commitment in respect of enhancements on computer equipment and information systems contracted, but not provided for amounting to about HK\$3.1 million at the end of the reporting period (31 March 2015: Nil).

As at 30 September 2015, the Company had no material capital commitments (31 March 2015: Nil).

CONTINGENT LIABILITIES

As at 30 September 2015, the Group had contingent liabilities in respect of bank guarantees given in lieu of utility and property rental deposits amounting to approximately HK\$7.5 million (31 March 2015: HK\$5.2 million). In addition, at the end of the reporting period, the banking facilities granted to certain subsidiaries subject to guarantees given to banks by the Company of HK\$100.2 million (31 March 2015: HK\$100.2 million) were utilised to the extent of about HK\$61.4 million (31 March 2015: HK\$29.9 million).

HUMAN RESOURCES

Including all the Directors, the Group had 1,377 (31 March 2015: 1,318) employees as at 30 September 2015. To attract and retain high quality staff, the Group provided competitive remuneration packages with performance bonuses, mandatory provident fund, insurance and medical coverage as well as entitlements to share options to be granted under a share option scheme based on employees' performance, experience and the prevailing market rate. Remuneration packages were regularly reviewed. Regarding staff development, the Group provided regular in-house training to retail staff and subsidised external training programmes for their professional development.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's sales and purchases during the period were mostly denominated in Hong Kong dollars, New Taiwan dollars, Renminbi and pounds sterling. The Group is exposed to certain foreign currency exchange risks but it does not anticipate future currency fluctuations to cause material operational difficulties or liquidity problems. However, the Group continuously monitors its foreign exchange position and, when necessary, will hedge foreign exchange exposure arising from contractual commitments in sourcing apparel and raw materials from overseas suppliers.

DIVIDEND

The Directors did not declare the payment of an interim dividend for the six months ended 30 September 2015 (2014: an interim dividend of HK1.5 cents per ordinary share).

PROSPECTS

Looking ahead, the Group expects to face many of the same adversities confronted over the past six months. Specifically, the markets that the Group operates in will remain challenging, owing to such factors as the economic slowdown in Mainland China, appreciation of the US dollar and lacklustre consumption sentiment. Moreover, cost pressure in the form of rent, which remains particularly high in Hong Kong, will also weigh on the Group's margin level.

Despite the aforementioned concerns, the second-half of the financial year is the traditional peak season for the Group, with both the Christmas and Lunar New Year holidays drawing greater numbers of the public to its retail stores. While such festive seasons are important for stimulating sales, the management is also aware of the need to first and foremost be responsive to the latest market trends. And from such understanding, the Group will introduce products in a timely manner to satisfy the needs of its customers. Though the Group's unique market position and well-diversified product portfolio have been effective at minimising its exposure to adverse market conditions, the management will also continue to explore new development opportunities that reinforce its appeal among customers.

Going hand-in-hand with business development is brand building and marketing, both of which play essential roles in raising brand equity and fueling sales growth. While the Group's brands are already well recognised by a large swathe of the general public due to television commercials employed in past years, the management will extend the Group's exposure beyond traditional mediums to include online social media. This is consistent with its objective of reaching a new generation of customers while at the same time further expand the Group's customer base. Moreover, such efforts are a means of promoting the Group in a cost-effective manner.

Certainly another important concern of the Group is managing overhead costs, rental cost in particular. Consequently, the management will continue to carefully examine prime locations, which include shopping centers, for potential shop openings and relocations that allow the Group to maintain rental expense at a reasonable level. Aside from controlling rent, the management will adopt initiatives aimed at optimising workflow, promoting more effective inventory restocking and further reining in advertising and promotion expenses.

While the latest financial period has tested the mettle of the Group, it remains in robust health and the management is fully motivated to implement strategies that drive long-term growth, as well as reinforce the Group's position as among the leaders of the fashion industry.

DIRECTORS' INTERESTS IN SECURITIES

At 30 September 2015, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(a) Long positions in ordinary shares of the Company

Name of director	Number of shares held, capacity and nature of interest			Total number of ordinary shares held	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Through a discretionary trust/as beneficiary or trustee of trust		
Mr. Wong Yui Lam	1,700,000	29,900,000 <i>(note)</i>	180,000,000 <i>(note)</i>	211,600,000	57.60%
Madam Lee Yuk Ming	250,000	–	–	250,000	0.07%
Mr. Yeung Yat Hang	4,730,000	–	–	4,730,000	1.29%

Note:

The 29,900,000 shares are held by Wonder View Limited ("**Wonder View**"), the entire issued share capital of which is beneficially owned by Mr. Wong Yui Lam, an executive director of the Company. The 180,000,000 shares are held by Huge Treasure Investments Limited ("**Huge Treasure**") as trustee of The Wong & Tong Unit Trust, all units of which are owned by The Wong & Tong Family Trust, a discretionary trust established by Mr. Wong Yui Lam, the executive director of the Company and Madam Tong She Man, Winnie, a beneficial shareholder of the Company.

(b) Long positions in share options of the Company

Name of director	Number of options directly beneficially owned
Madam Lee Yuk Ming	550,000

(c) Long positions in shares of associated corporations

Name of associated corporation	Name of director	Capacity	Number of shares held	Percentage of the associated corporation's issued share capital
Huge Treasure (as trustee of The Wong & Tong Unit Trust)	Mr. Wong Yui Lam	Beneficial owner	1 share of US\$1	50%
Tough Jeans Limited	Mr. Wong Yui Lam	Beneficial owner <i>(note)</i>	3 non-voting deferred shares of HK\$1 each	60% of the issued non-voting deferred shares
Bauhaus Holdings Limited	Mr. Wong Yui Lam	Beneficial owner <i>(note)</i>	1 non-voting deferred shares of HK\$1 each	50% of the issued non-voting deferred shares

Note:

Mr. Wong Yui Lam is a non-voting shareholder of these companies. The holders of these non-voting deferred shares are not entitled to any dividends and have no voting rights.

Save as disclosed above, as at 30 September 2015, none of the Directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporation that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section of "Share Option Scheme" below, at no time during the six months ended 30 September 2015 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

On 22 April 2005, the Company adopted a share option scheme (the “**Old Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The Old Scheme remained in force for 10 years from the date of its adoption and has expired during the six months ended 30 September 2015.

On 27 August 2015, the Company adopted a new share option scheme (the “**New Scheme**”) to provide the Company with the flexibility of granting share options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group. Further details of the New Scheme are disclosed in note 14 to the Interim Financial Statements.

The following table discloses movements in the Company’s share options outstanding during the six months ended 30 September 2015:

Name or category of participant	Number of share options					At 30 September 2015	Date of grant of share options (i)	Exercise period of share options	Exercise price of share options (ii) HK\$ per share
	At 1 April 2015	Granted during the period	Exercised during the period (iii)	Cancelled during the period	Forfeited during the period				
Director									
Madam Lee Yuk Ming	250,000	-	-	-	-	250,000	13 Jan 12	12 Jan 14 to 12 Jan 17	1.830
	300,000	-	-	-	-	300,000	13 Jan 12	12 Jan 15 to 12 Jan 17	1.830
	550,000	-	-	-	-	550,000			
Other employees									
In aggregate	150,000	-	(20,000)	-	-	130,000	13 Jan 12	12 Jan 13 to 12 Jan 17	1.830
	370,000	-	(80,000)	-	-	290,000	13 Jan 12	12 Jan 14 to 12 Jan 17	1.830
	430,000	-	(70,000)	-	-	360,000	13 Jan 12	12 Jan 15 to 12 Jan 17	1.830
	950,000	-	(170,000)	-	-	780,000			
	1,500,000	-	(170,000)	-	-	1,330,000			

Notes to the table of share options outstanding during the six months ended 30 September 2015:

- (i) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (ii) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company’s share capital.
- (iii) The weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised, was HK\$2.92 per share.

At the end of the reporting period and the date of this report, the Company had 1,330,000 share options outstanding under the Old Scheme, which represented approximately 0.4% of the Company's shares in issue as at these dates. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 1,330,000 additional ordinary shares of the Company and additional share capital of HK\$133,000 and share premium of HK\$2,301,000 (before issue expenses).

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2015, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Number of shares held, capacity and nature of interest						
Name	Position	Directly beneficially owned	Through controlled corporation	Through discretionary trust/as beneficiary or trustee of trust	Total number of ordinary shares held	Percentage of the Company's issued share capital
Huge Treasure (note 1)	Long position	180,000,000	–	–	180,000,000	49.00%
East Asia International Trustees Limited ("EAIT") (note 2)	Long position	–	–	180,000,000	180,000,000	49.00%
Wonder View (note 3)	Long position	29,900,000	–	–	29,900,000	8.14%
Great Elite Corporation ("Great Elite") (note 4)	Long position	34,068,000	–	–	34,068,000	9.27%
David Michael Webb (note 5)	Long position	9,036,000	20,354,000	–	29,390,000	8.00%

Notes:

1. The 180,000,000 shares are held by Huge Treasure as trustee of The Wong & Tong Unit Trust, all units of which are owned by The Wong & Tong Family Trust, a discretionary trust established by Mr. Wong Yui Lam, an executive director of the Company and Madam Tong She Man, Winnie, a beneficial shareholder of the Company.
2. EAIT is a licensed trustee in the British Virgin Islands and acts as trustee of The Wong & Tong Family Trust. By virtue of its capacity as trustee of The Wong & Tong Family Trust, EAIT is deemed to be interested in the shares held by Huge Treasure (as trustee of The Wong & Tong Unit Trust) under the SFO.
3. Wonder View is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. Wong Yui Lam.
4. Great Elite is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Madam Tong She Man, Winnie.
5. The 20,354,000 shares are held by Preferable Situation Assets Limited, which is incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. David Michael Webb.

Save as disclosed above, as at 30 September 2015, no person, other than the directors of the Company, whose interests are set out in the section of "Directors' interests in securities" above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2015 except for not having a separate chairman (the "**Chairman**") and chief executive officer (the "**CEO**") of the Company. Both positions are currently held by Mr. Wong Yui Lam ("**Mr. Wong**").

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As the founder of the Group, Mr. Wong has substantial experience in the fashion industry and retail operations. The Directors consider that the present structure provides the Group with strong and consistent leadership which facilitates the development of its business strategies and execution of its business plans in the most efficient and effective manner. The Directors believe that it is in the best interest of the Company and its shareholders as a whole that Mr. Wong continues to assume the roles of the Chairman and the CEO.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Based on specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 September 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2015.

REVIEW OF FINANCIAL INFORMATION

An audit committee of the Company (the "**Audit Committee**") comprising three independent non-executive directors was established on 22 April 2005 with written terms of reference. The Audit Committee has reviewed the accounting principles and practices adopted by the Group, internal control and financial reporting matters, including the review of the Interim Financial Statements for the six months ended 30 September 2015.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

APPRECIATION

On behalf of the Directors, I would like to express my deep gratitude to our shareholders, business partners and customers for their unstinting support. I would also like to extend my sincere appreciation to all of the Group's employees for their dedication.

By Order of the Board
Bauhaus International (Holdings) Limited
Wong Yui Lam
Chairman

Hong Kong, 23 November 2015